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SUBJECT: SERBIA SURVIVES MEDVEDEV VISIT, BUT MUST DEAL WITH  
CONSEQUENCES

REF: A) BELGRADE 841; B) BELGRADE 851

Summary

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(SBU) During a 12-hour visit to Belgrade on October 20, Russian  
President Dmitriy Medvedev:

-- signed agreements on a gas storage facility and the South Stream  
pipeline,

-- promised a \$1 billion loan to the Serbian government,

-- reaffirmed Russia's support for Serbia's stance on Kosovo,

-- tepidly endorsed Serbia's European Union aspirations,

-- pitched his proposal for a new European security architecture,  
and

-- secured agreement on a joint regional disaster response center  
to be located in Nis.

The visit, planned to coincide with the 65th anniversary of the  
liberation of Belgrade by Soviet and "Yugoslav" forces, was heavily  
focused on the historical, cultural, and religious ties allegedly  
binding Russia and Serbia. While the Serbian government attempted  
to balance its praise for Medvedev and Russia with emphasis on  
attaining European Union membership, that message was largely  
obscured by public speculation over what Russia's security plans  
mean for Serbia. End Summary.

Substance: Gas, Loan, Security, Disaster Response

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12. (U) The most concrete deliverables of Russian President Dmitriy Medvedev's October 20 visit to Belgrade, accompanied by a large delegation of Russian businessmen, were not surprisingly in the economic arena (Ref A). The Serbian and Russian governments signed two energy-related agreements between Gazprom and Srbijagas. The first created a joint venture firm to develop Serbia's Banatski Dvor gas storage facility in Vojvodina. Gazprom is to provide 51% (\$38 million) and Srbijagas 49% (\$36 million) of the JV's total capital of \$75 million.

13. (SBU) The second agreement was a protocol to create within 30 days a Switzerland-based joint venture company to coordinate the development of the proposed 450 km Serbian portion of the future South Stream gas pipeline. Gazprom will hold a 49% stake and Srbijagas 51%. The company will be responsible for conducting a feasibility study on the pipeline route through Serbia. Energy Minister Petar Skundric told us on October 22 that Serbia was the first country along the proposed South Stream route to create a joint venture with Gazprom. Russia, he said, had promised that the pipeline would be operational by 2015. He voluntarily added that Serbia would welcome a Nabucco alternative as well, but Serbia was hoping to collect transit fees.

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14. (SBU) Serbia and Russia initialed an agreement for a \$1 billion loan -- noticeably minus an agreement on interest rates -- which will provide support for the Serbian state budget and funds for infrastructure projects, as long as Russian firms participate. The Finance Ministry announced that the details will be finalized in discussions in Moscow the week of October 26. According to press reports, \$200 million is earmarked for budget support while the rest would go to infrastructure projects still to be determined; railways and a Belgrade metro were rumored to be likely projects. Belgrade Mayor Dragan Djilas, however, told us on October 23, the metro offer was not on the table. He had rejected the proposal and instead was pursuing light rail options elsewhere in Europe. MP Nenad Popovic, a member of former PM Vojislav Kostunica's Democratic Party of Serbia (DSS) who has extensive business interests in Russia through his firm ABS Holdings and whose family lives in Moscow, harshly criticized the loan agreement to us on October 22. He claimed the Serbian government had not even asked about the interest rate, repayment term, or grace period; he predicted that at least 75% of the money for infrastructure projects would go to Russian firms. The Serbian government would be better served by obtaining commercial loans for open tender projects such as railways or the "Chinese" bridge across the Danube (Ref B) rather than taking tied financing, Popovic emphasized.

15. (U) In his public comments, President Medvedev repeatedly reaffirmed Russia's support for Serbia's territorial integrity and its diplomatic battle to defend Kosovo. In much milder terms, he expressed "respect" for Serbia's European integration goals and commented that "for a very long time there will be countries in Europe that do not belong to NATO or other organizations." During his joint press conference with President Tadic after their meeting and in a subsequent address to the National Assembly, Medvedev elaborated on Russia's proposal for a new European security architecture. Russia proposes to "sign a new treaty and create a new, modern, effective system of European security," Medvedev said, and enshrine the principle that "we cannot address security issues in a way that threatens the security of others." Such a European Security Treaty could be a starting point for a common security zone in the Euro-Atlantic region, he said, emphasizing that the arrangement would be open to all states "regardless of whatever military or other alliances [they] belong to."

¶6. (SBU) In his remarks to the press, Tadic said that Serbia had examined the Russian proposals "very attentively...and we are very happy with them. Serbia's policy is that we are open to all future initiatives in this area." In an apparent effort to reassure the West that Tadic had not crossed any red lines with Medvedev, an unnamed government source with knowledge of the talks told daily "Blic" on October 21 that Tadic had told Medvedev that Serbia was ready to participate in discussions of the idea but that such a move would require the agreement of all. FM Jeremic muddled the waters, however, by saying that Serbia wanted to be an "active partner" in forming a new concept of European security in October 22 Vecernje Novosti and RTS interviews that generated headlines saying "We Are Stronger than Yesterday."

¶7. (U) The two countries also signed an agreement for the Serbian Ministry of Interior and the Russian Ministry of Emergency Situations to establish a regional disaster response center in the city of Nis to respond to forest fires, floods, or earthquakes. In an October 21 press conference, Interior Minister Ivica Dacic and Minister for Emergency Situations Sergey Shoigu announced that the logistics base would be in Nis because it was served by an airport and good infrastructure. Shoigu said that representatives of other countries to be served by the center -- Greece, Bulgaria, Macedonia, Montenegro, and Croatia, along with Serbia and Russia -- would meet in February 2010 to discuss the plan. Shoigu added that the center would be created in 2012 and would handle mine clearance in addition to natural disasters.

Pomp: Patriots, Parliament, Patriarch, Pageant

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¶8. (SBU) President Medvedev's schedule was heavy on symbolism lauding the two countries' mythical deep connections, given its timing on the 65th anniversary of the liberation of Belgrade from the Nazis by the Soviet Army and the Yugoslav People's Liberation Army, aka the "Partizans." It was also the first time in history that the presidents of Serbia and Russia had met on Serbian soil. To commemorate the liberation, Medvedev and Tadic laid wreaths at the Monument to the Liberators of Belgrade in the New Cemetery and saluted a group of WWII veterans. Medvedev was invited to address the National Assembly, the first such address by a head of state. The Kremlin has posted the full text of Medvedev's speech at

[http://eng.kremlin.ru/speeches/2009/10/20/130\\_1\\_222271.shtml](http://eng.kremlin.ru/speeches/2009/10/20/130_1_222271.shtml).

¶9. (SBU) Medvedev finished off the afternoon with a visit to the Serbian Orthodox Patriarchate, where Metropolitan Amfilohije presented him with the Order of St. Sava of the First Class. The final event of the day was a gala presentation at the Sava Center commemorating the liberation attended by government officials, Republika Srpska Prime Minister Milorad Dodik, the diplomatic corps, uniformed military, veterans, and hundreds of students bussed in to fill seats at the last moment. The mixed symbol event, consisting of anthems, speeches, historical films, and dancing children, generated grumbling among many of the more European-oriented members of the audience; Serbian Renewal Movement (SPO) leader Vuk Draskovic commented to us "all that was missing was a picture of Stalin." Israeli Ambassador Koll told Charge the event was "pathetic." If you're going to put on an event like this, either do it right, or don't do it at all," he commented, noting the event's blurred images, lack of coherent messaging, and brief duration.

Domestic Impact Mixed

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¶10. (SBU) Predictably, those close to Russia within the Serbian government were buoyed by the Medvedev visit, as illustrated by FM Jeremic's comments on Serbia being "stronger today than yesterday." Others were quite concerned by the concessions the government appeared to have made in return for Russian credits, as well as the linkage made by some media and commentators between the Russian proposal for a new European security architecture and the agreement to establish the disaster response center.

¶11. (SBU) The Italian ambassador warned us that the disaster response center was a "slippery slope" to establishing a Russian military base in Serbia. Three parliamentarians from the Liberal Democratic Party (LDP), including party leader Cedomir Jovanovic, asked to meet with us on October 23 to express their concerns about FM Jeremic's statements in favor of a new European security architecture, Medvedev's comments on NATO and other alliances, and the lack of clarity on terms for the Russian loan.

¶12. (SBU) Despite the Serbian government's many statements before and during the visit that European Union membership remained the country's central strategic goal, it appears that some local leaders may have interpreted the Medvedev visit as license to deploy anti-Western propaganda. During the annual commemoration of the killing of students in Kragujevac during WWII on October 21, a theatrical presentation by the Belgrade National Theater gave an alarming Russian-authored alternative version of WWII history in which Americans began bombing Belgrade and other cities in Serbia to show the world "who its new master" was. The interpretative reader then went on to talk of blood-letting, savagery, and atrocities in Iraq and Afghanistan, as well as "massacres during the illegal NATO bombings." (The Charge and other embassy representatives walked out at that point.)

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Comment

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¶13. (SBU) The Serbian government struggled for months to strike the appropriate balance for Medvedev's visit by displaying sufficient respect and gratitude for Russia's political and economic support without alienating Serbia's European partners. Overall we would give them a C- for their efforts: while President Tadic resisted pressure to take extravagant steps such as organizing a military parade or declaring a national holiday, made no irreversible gaffes in his public comments, and made progress on budgetary support, the policy outcomes of the Medvedev visit are likely to complicate Serbia's relations with its Euro-Atlantic partners in the near term. The message the Serbian public is likely to take away from Medvedev's visit is that partnership with Russia competes with, rather than complements, Euro-Atlantic integration. End Comment.  
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